



An Act Concerning RESPONSIBLE LENDING & ECONOMIC SECURITY

Multi-tiered Mortgage Assistance Program

Refinance to an Affordable Loan Program (REAL)

- Mortgage assistance program, offering 100 percent financing with flexible credit underwriting
- Will provide 30-year fixed-rate mortgages at .25 percent above CHFA's regular rate
- Use to finance subordinate mortgages, closing costs, prepayment penalties, delinquent property taxes, and arrearages occurring within 12 months of a loan reset

Home Equity Recovery Opportunity (HERO)

- One hundred percent financing for those not eligible for the REAL program whose mortgage exceeds the value of the home
- Purchase loans directly from lenders, then place borrowers on an affordable repayment agreement
- Will provide 30-year fixed-rate mortgages at .25 percent above CHFA's regular rate
- All HERO participants must attend in-person financial counseling
- All HERO loans will include property taxes and insurance in the borrower's monthly payment and can be used to pay off current mortgage debt, closing costs, prepayment penalties and delinquent property taxes

Emergency Mortgage Assistance Program (EMAP)

- Will offer continuing and non-continuing mortgage assistance loans
- \$100 million revolving loan fund seeded with state bonding and replenished by borrower repayments
- For borrowers not eligible for REAL or HERO loans

REAL Eligibility guidelines:

- Combined gross annual income of \$120,000 or less
- No more than 59 days past due on existing mortgage
- Credit score of 620 or no more than two, 30-day late payments following an interest adjustment in the past 12 months or a fully amortized payment, with no history of late payments and no more than three, 30-day late payments on other debt for 12 months prior to adjustment

HERO Eligibility guidelines:

- Combined gross annual income of \$120,000 or less
- Borrower has made an effort to meet financial obligations
- Borrower must have a sufficient and stable income and must agree to automatic payments
- Borrower must have the legal title to the mortgaged property and reside in it the permanent residence
- HERO will be granted first lien on the property
- If unable to make monthly payments on other debts, borrower must account for cash flow (i.e., childcare costs, medical expenses, etc.)

Emergency Mortgage Assistance Program Committee

The committee will establish procedures, standards and applications for managing the multi-tiered assistance program. The committee will also establish hotlines, programs or other procedures designed to provide information about the assistance program and to assist mortgagors, to renegotiate mortgages, to engage foreclosure consultants, or to provide any other appropriate assistance.

New Restrictions for Mortgage Brokers

- Lender must provide a plain-language written document explaining the presence and amount of the broker's yield spread premium and state how much it will cost the borrower.
- Lenders cannot offer to refinance a mortgage unless it offers a tangible benefit to the borrower.
- Mortgage and real estate brokers are prohibited from influencing residential real estate appraisals to inflate home values.
- Licensed mortgage lenders will be required to complete eight hours over one year or 12 hours over two years of continuing education programs specified by the state Department of Banking.
- Lenders and brokers will have fiduciary duty to borrowers. They are required to notify potential nonprime borrowers that they must attend a course through the Department of Banking on nonprime home loans prior to executing the mortgage.
- Lenders offering a nonprime loan must provide a written Notice to Borrower.
- Nonprime loans must escrow property taxes, insurance and homeowners or condominium fees.
- Lenders cannot offer nonprime loans that contain prepayment penalties or an interest rate that increases after default.
- Surety bond requirement increases from \$40,000 to \$60,000 effective January 1, 2009.
- Violations of regulations or breach of fiduciary duty can be prosecuted under the Connecticut Unfair Trade Practices Act (CUTPA). The Commissioner of the Department of Banking, the Attorney General or any party to a mortgage may file suit.
- Any court with jurisdiction over a foreclosure may provide a borrower with court-appointed counsel upon evidence that the borrower cannot afford counsel.

Expanded Responsibilities for the Banking Commissioner

- First mortgages at three points over the yield on the relevant United States Treasury Security ("T Bill") will be considered "nonprime." Second mortgages at five points over the relevant T Bill will be considered nonprime. The Commissioner of the Department of Banking will develop a suitability standard that lenders and brokers will be required to use when determining which nonprime home loan products are suitable for borrowers.
- The commissioner can conduct examinations and investigations and issue subpoenas and orders to enforce lender and broker regulations.
- The commissioner can suspend, revoke or refuse to renew any lender or broker license; issue cease-and-desist orders; and order restitution and other relief, including loan modification and forgiveness, when deemed appropriate.
- The commissioner, with the approval of the Emergency Mortgage Assistance Committee, can purchase foreclosed properties at a discount for resale as affordable and/or supportive housing.
- The commissioner can, on a case-by-case basis, order a six-month suspension on a foreclosure.

Mortgage Crisis Job Training Team

The Mortgage Crisis Job Training Team will be established through the state's CTWorks One Stop Career Centers to provide rapid, customized employment services, job retraining and placement assistance for those unemployed, underemployed or in need of a second job.

The Training Team will also provide financial literacy and credit repair training, and will help borrowers find ways to meet their financial obligations.